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UNCLAS SECTION 01 OF 02 COLOMBO 002127

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SUBJECT: SRI LANKA LOSES HALF OF GERMAN TSUNAMI AID

REF: Colombo 2119

¶1. (U) SUMMARY: News of Germany's reallocation of approximately 19 million euros in tsunami reconstruction funding from Sri Lanka to Aceh, Indonesia hit the newswires on December 23 and 24 following remarks by the German Minister for Overseas Development during a visit to Aceh. This funding, earmarked for the north and east of Sri Lanka, comprises half of Germany's tsunami assistance programming for Sri Lanka. It has not been possible to spend these funds due to access problems in conflict-affected areas. End Summary.

19 Million Euros Reallocated to Aceh; No New Programming

¶2. (U) During her visit to Aceh, Indonesia, German Minister for Overseas Development Heidemaire Wiczeorek-Zeul told a reporter for the German daily Tagesspiegel that 19 million euros originally destined for Sri Lanka would be reallocated to Aceh. According to Tagesspiegel's December 24 publication of the interview, Wiczeorek-Zeul also noted that Germany would not enter into any new programs with Sri Lanka until the peace process between the Liberation Tigers of Tamil Eelam (LTTE) and the Government of Sri Lanka (GSL) resumes. She explained that due to the increased intensity of the conflict in the northern part of Sri Lanka, it was "too dangerous" to continue projects. She added that German officials had "no access" to the Jaffna peninsula.

¶3. (SBU) The timing of the announcement, made on the eve of the second anniversary of the tsunami, caught the German Embassy by surprise. Andreas Hartmann, Counselor for Economic Cooperation and Development at the German Embassy, explained to PolChief that the 19 million euro reallocation cuts Germany's two-year 38 million euro tsunami assistance program in half. These funds generally go

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directly to the GSL for reconstruction efforts. He said that the German tsunami reconstruction programs in the south of Sri Lanka were going well, and would continue. But the 19 million euros being reallocated to Aceh simply cannot be spent in the north and east at this time, due to the conflict in those areas. German Ambassador Juergen Weerth told DCM that, at this time, no new money would be

allocated for programs beyond what has already been committed until there is progress in resuming negotiations between the GSL and LTTE.

#### Encouraging Other Nations to Freeze Tsunami Funding

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¶4. (U) Wieczorek-Zeul also commented that it would be "nice" if other nations would discontinue further funding of tsunami reconstruction projects until the peace process resumes. Sri Lanka's Disaster Management Minister Mahinda Samarasinghe dismissed this call, saying that the GSL has already taken measures to address Wieczorek-Zeul's concerns. Samarasinghe added that Sri Lanka still has not yet been officially notified of the reallocation of funds.

¶5. (SBU) COMMENT: As the conflict increases the difficulty for donors to implement programs in the north and east, this situation contributes to the growing disparity between the Sinhalese south and the north and east, where more of Sri Lanka's Tamil population lives. Germany is foremost among the donors in showing its displeasure with resumption of the conflict in Sri Lanka by withholding its future aid flows, and is further reinforcing that message with the movement of these tsunami funds from Sri Lanka to Indonesia. Germany has taken the rational step of re-directing funds to a tsunami-affected area where they actually can be used (Aceh). As Germany assumes the EU presidency on January 1, the question of whether Germany will use its position to persuade other European countries to follow suit will bear watching.

¶6. (SBU) COMMENT CONTINUED: USAID currently implements programs in the east, including Office of Transition Initiatives (OTI) activities and the tsunami reconstruction program, but has limited activity in the north, where its efforts are impacted by the deteriorating security situation but do continue, albeit at a slower

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pace of implementation. USAID assistance is programmed with non-governmental organizations, both public and private, and is more immune to corruption in the GSL (see ref) since the USG funding takes place through these organizations and does not go directly to the GSL. Meanwhile, the Embassy continues to press for greater humanitarian access to the north and east and supports the goal of utilizing future USAID programs to address underlying inequities in those areas.

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